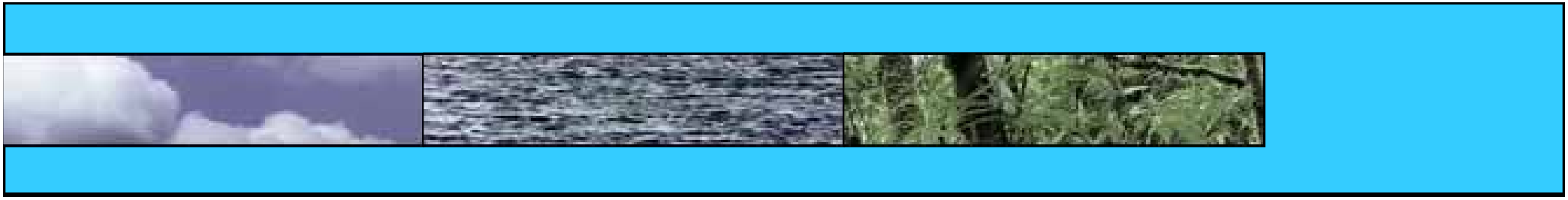


Technicalities of carbon forestry

Katoomba meeting,

Zurich, Oct 03

Issues and technicalities

Issues proposed for discussion in SBSTA 18 (June 2003):

- Base year for baseline
- Forest definitions
- Crediting period
- Carbon accounting methods and (non)permanence
- New methods, small scale, etc.

1) Base year

Forestry projects can only be implemented in areas that were not forested in 31st Dec 1989 (1990)

This is to avoid ‘perverse incentives’

New proposals include:

- 31st Dec 1999 (2000)
- At least 10 years prior to the project activity

1) Base year

- Shifting the year forward would increase the amount of land and project possibilities under Kyoto. It would make it a ‘nearer’ past, creating more data availability to characterise the baseline
- Disadvantage – would open a precedent for further re-negotiations

2) Forest definitions

- A minimum tree cover value between 10 and 30 %
- A minimum area between 0.05 and 1 ha
- A minimum tree height between 2 and 5 m

- These values will be fixed until end of 1st Comm. Period

2) Forest definitions - implications

Project description	Initial crown cover	Crown cover when activities have been implemented
A - Enrichment planting (regeneration of heavily disturbed natural forest)	20%	100%
B - Planting trees on smallholder agricultural cropland plots	0%	20%
C - Shade cover planting for coffee or cocoa	0%	50-80%

2) Forest definitions - implications

	Upper and lower values for the threshold between forest and non-forest	
	Crown density 10%	***Crown density 30%***
Activities that would be eligible	**B and C –** both start with non-forest (<10%) and convert to forest (>10%).	**A and C –** both start with non-forest and convert to forest (> 30%)
Activities that would not be eligible	**A –** initial crown cover is above the threshold (>10%), therefore is already forest and no LUC will result.	**B –** following project implementation the area is still non-forest (<20%) therefore no LUC has occurred.

3) Crediting period

Emission reduction projects can choose between 10 years or 3 x 7 years with baseline revisions every 7 years

Clearly inappropriate for forestry projects and for the objective of long term benefits

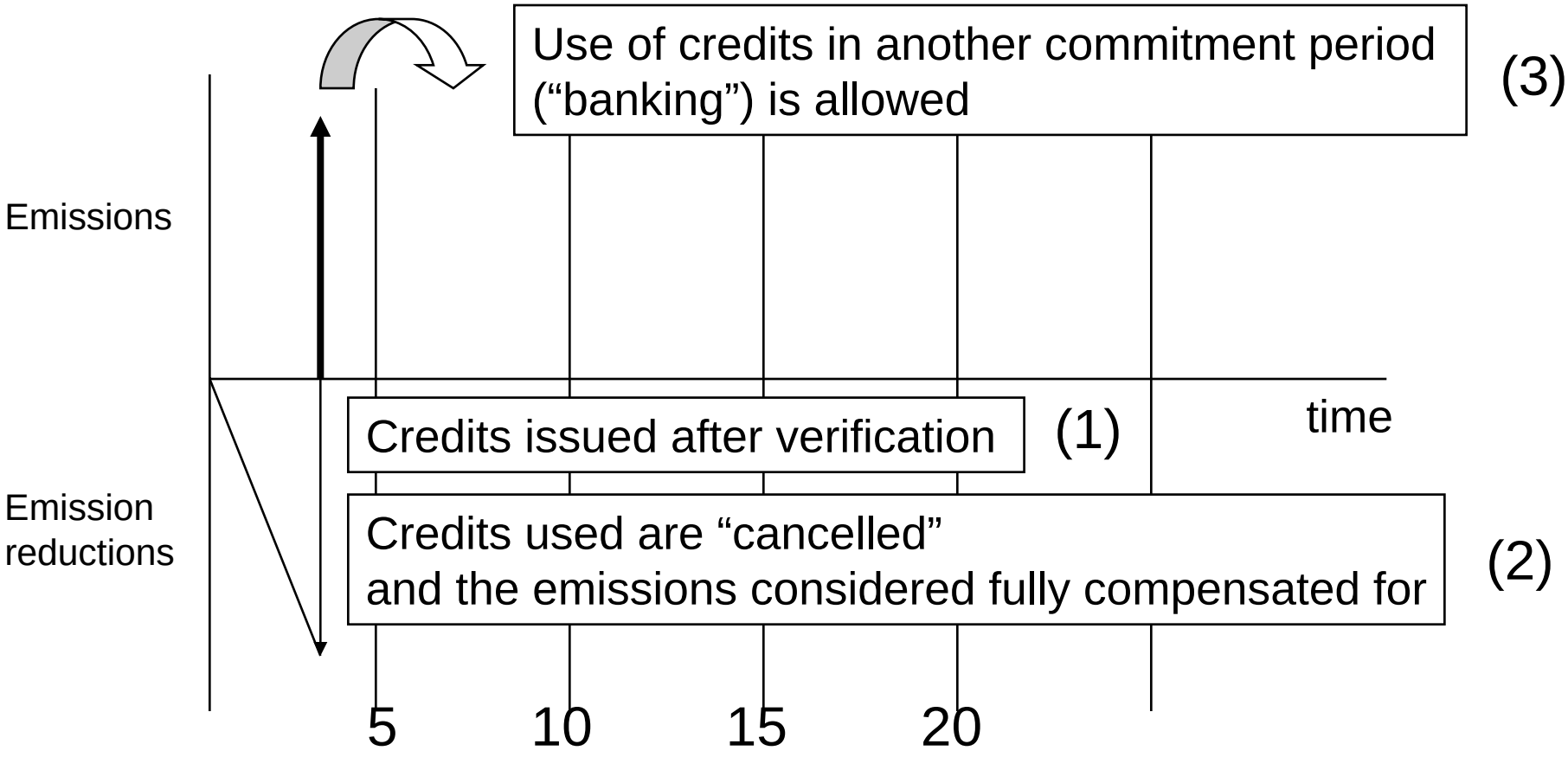
3) Crediting period

Proposals for land use project include:

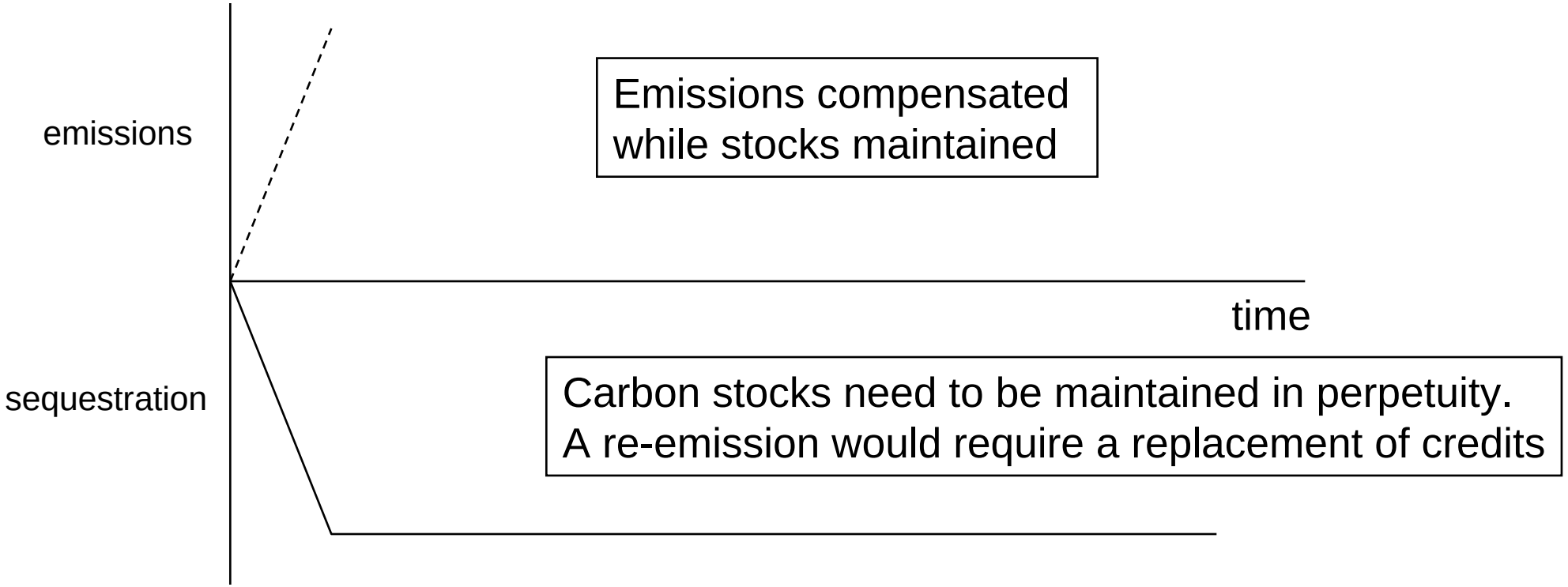
- a one-off crediting period of 5 (or X) years
- a Z period of time, renewed Y times, with baseline re-evaluations
- baseline re-evaluations at end of 1st commitment period

- ??!!!!

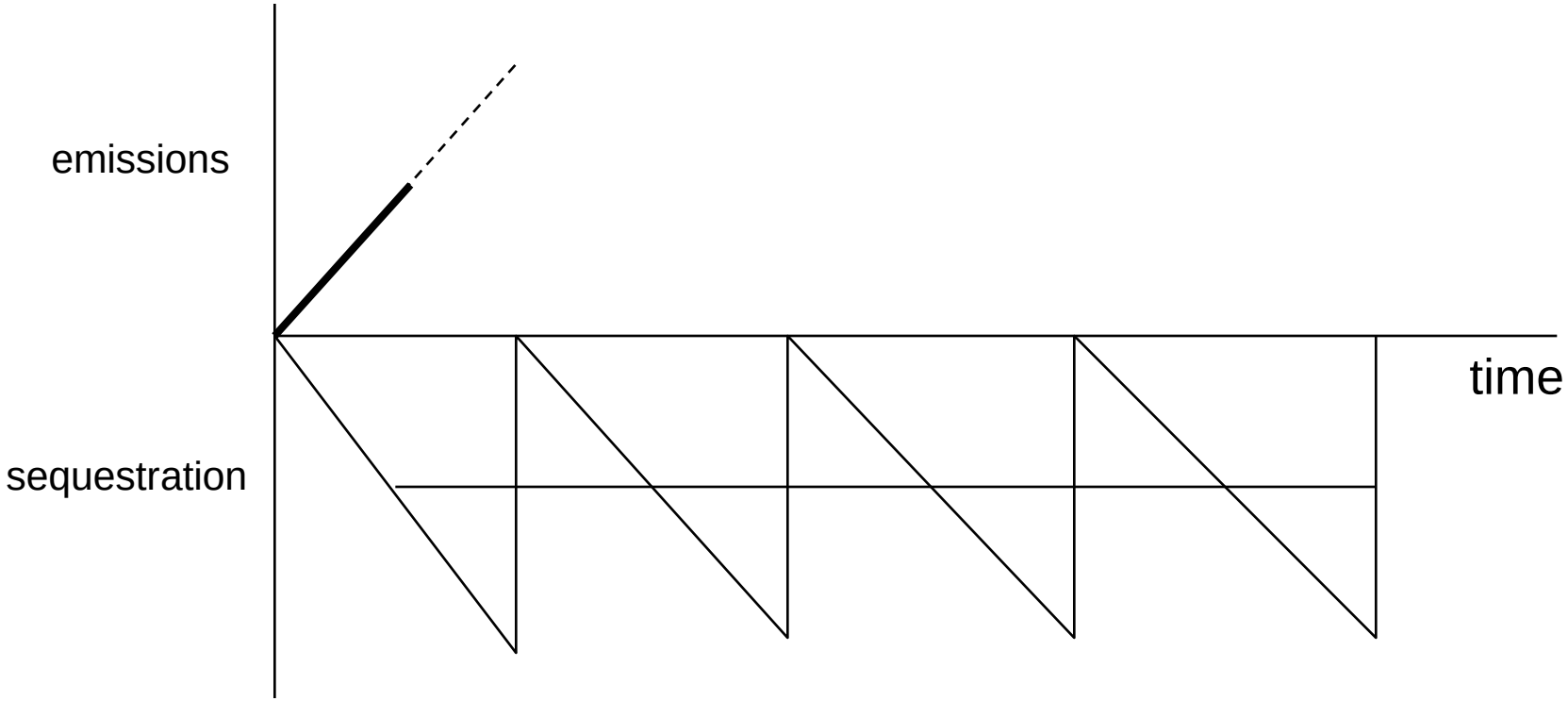
4) Carbon accounting: emission reduction projects



4) Carbon accounting: Stock change method

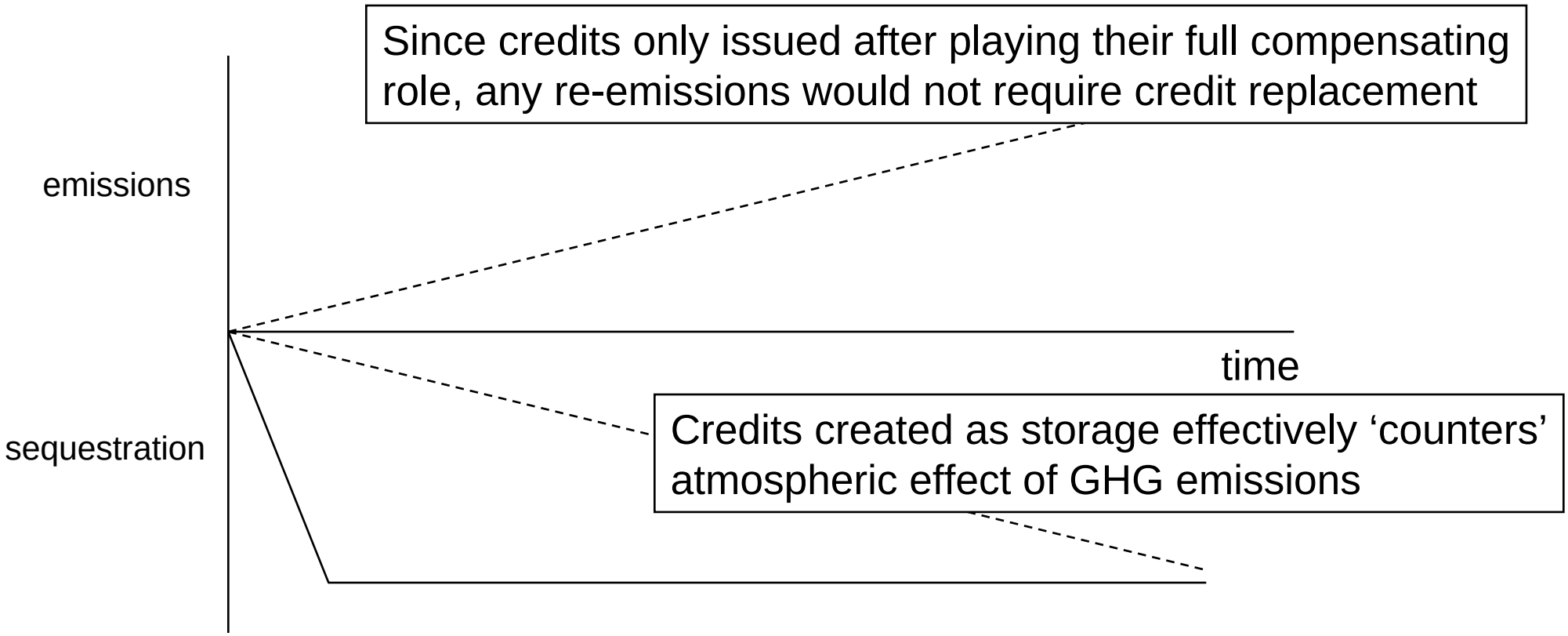


4) Carbon accounting: Average storage method

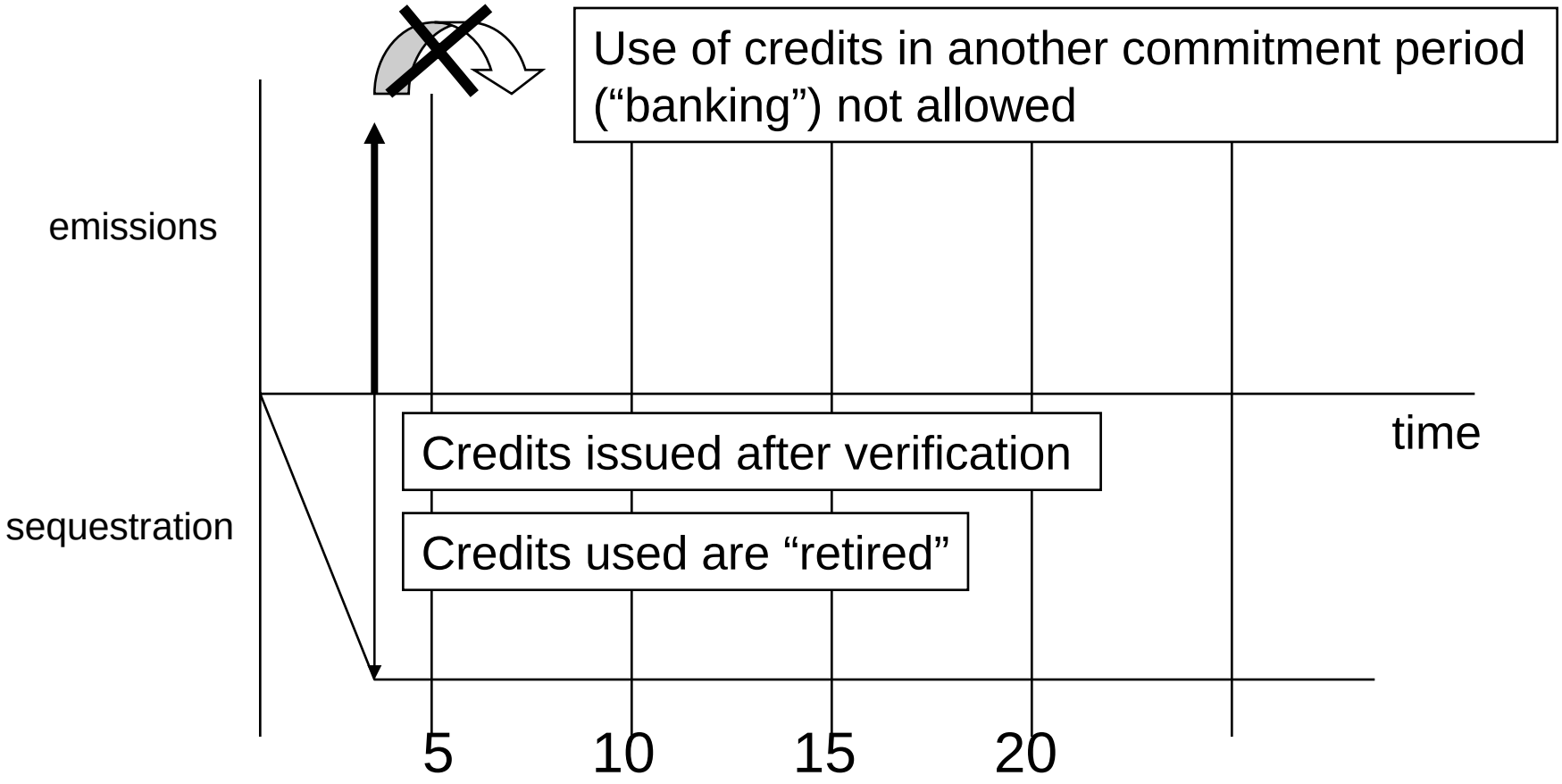


Project only receives the average amount of credits in the long run.
Replacement is only required if the planting/harvesting cycle is discontinued

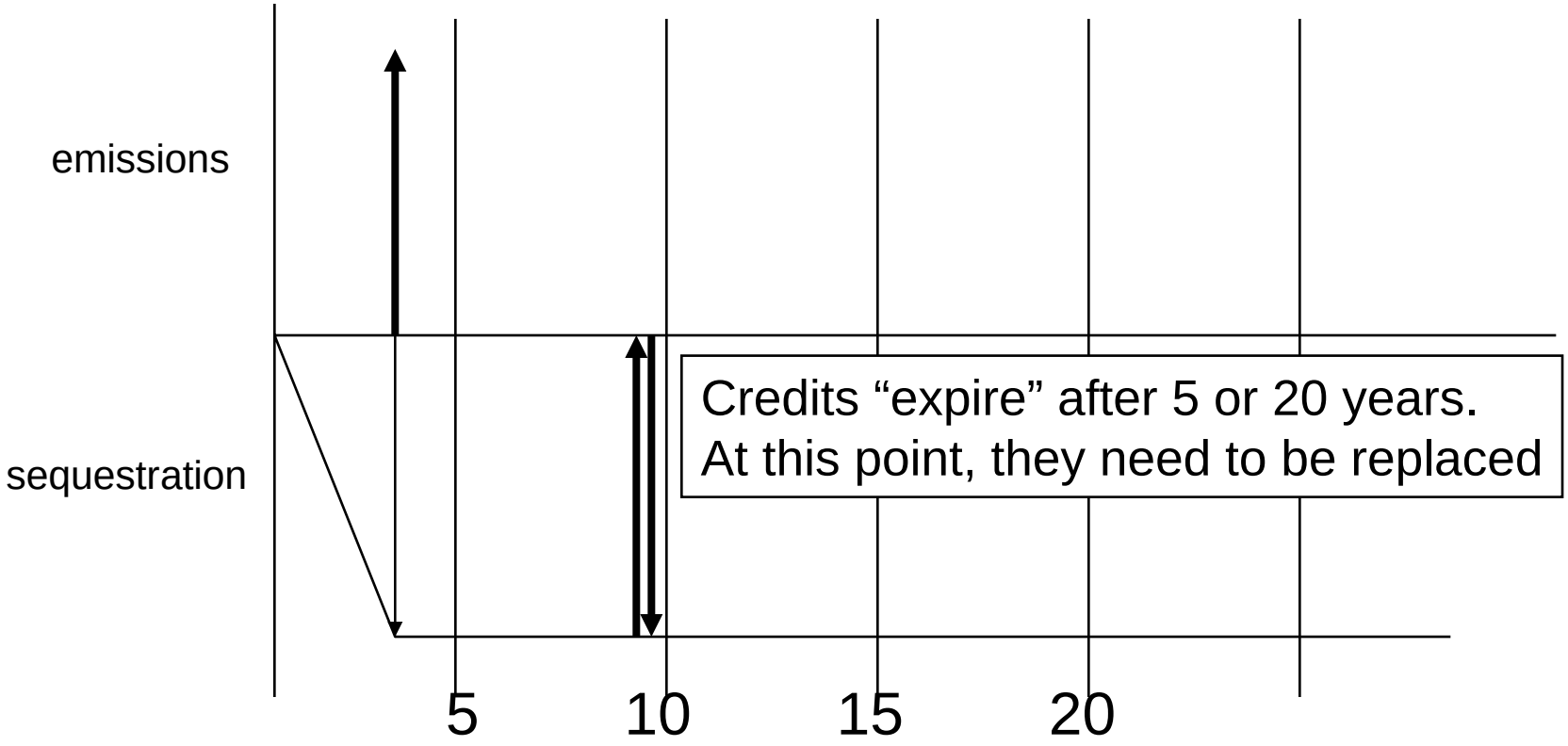
4) Carbon accounting: ton year method



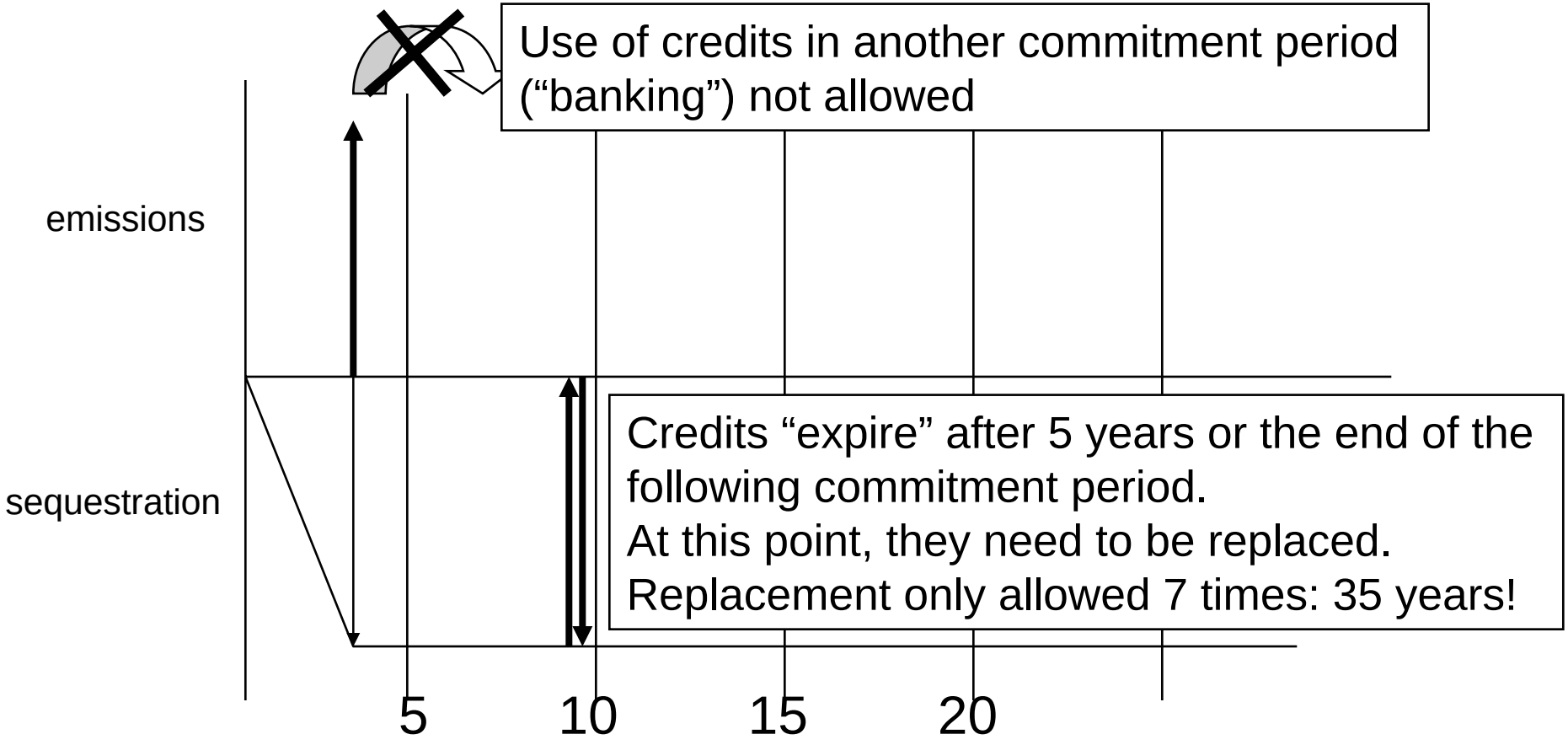
4) Carbon accounting: rCERs (1)



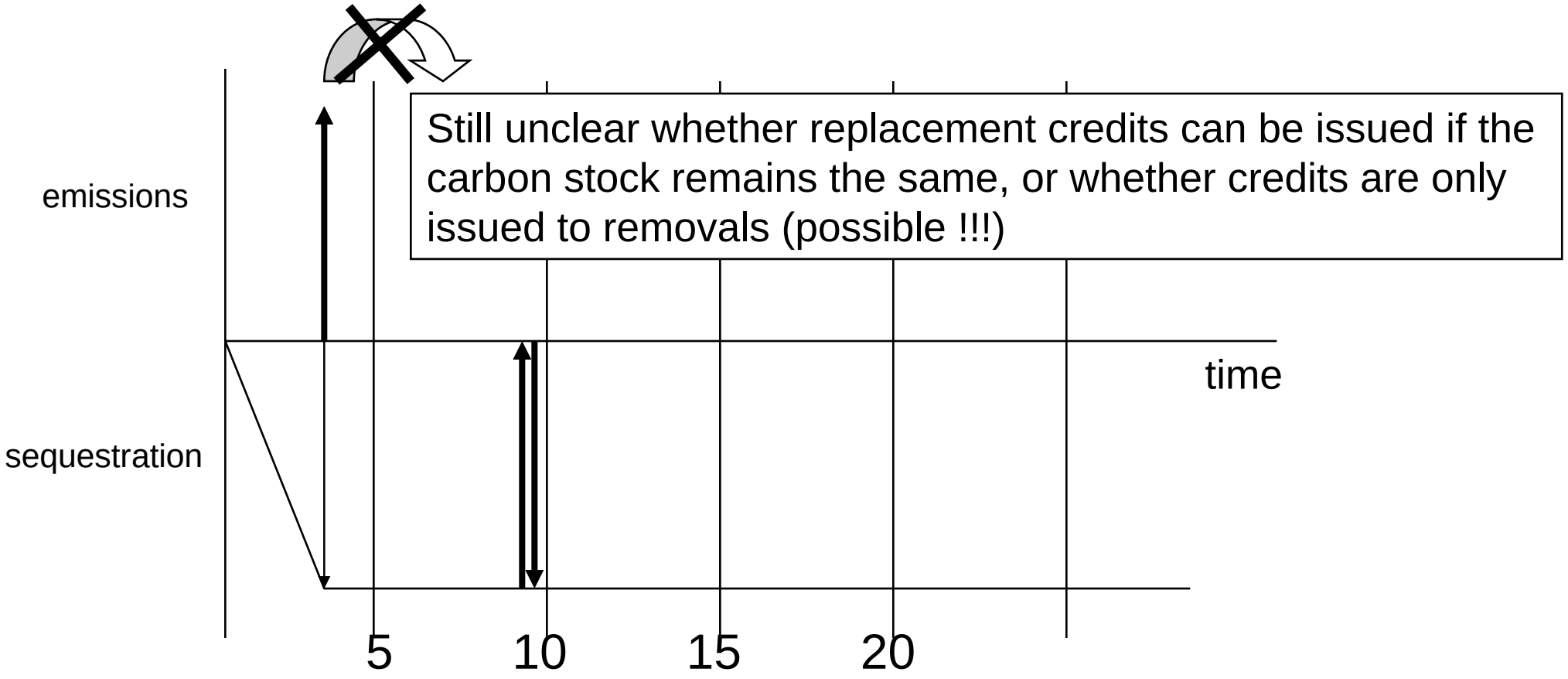
4) Carbon accounting: rCERs (2)



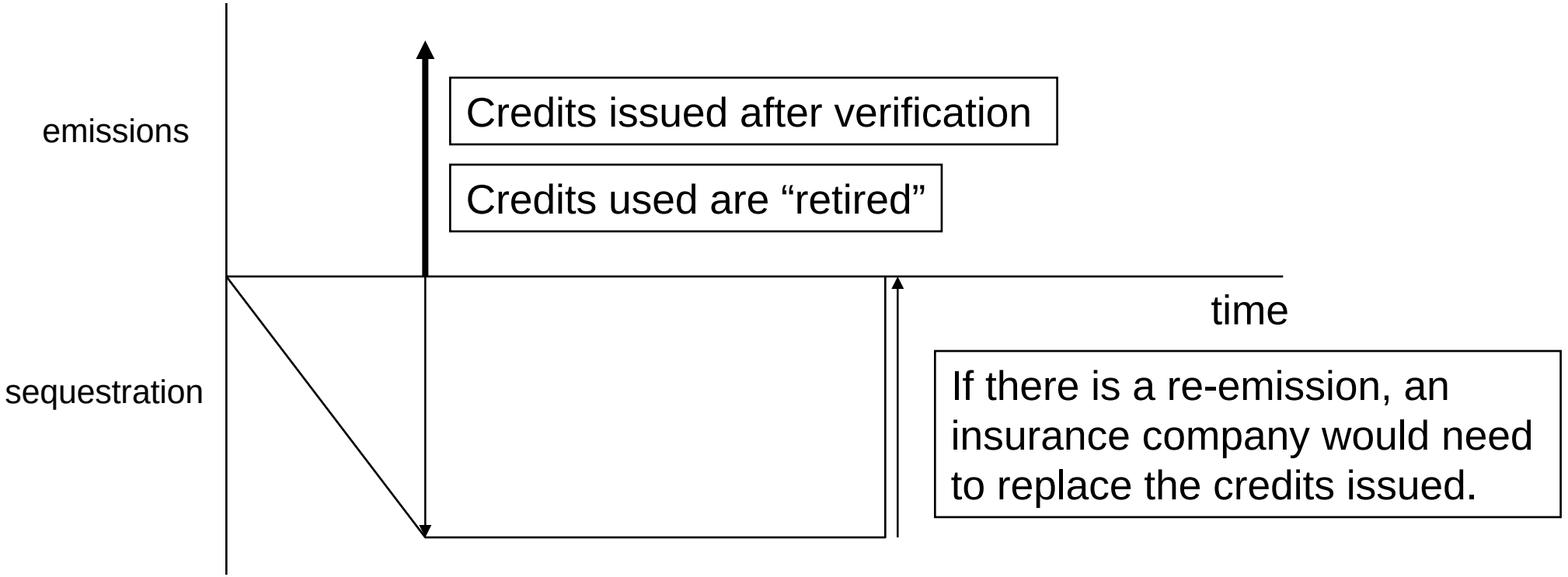
4) Carbon accounting: tRMUs



4) Carbon accounting: tRMUs (2)



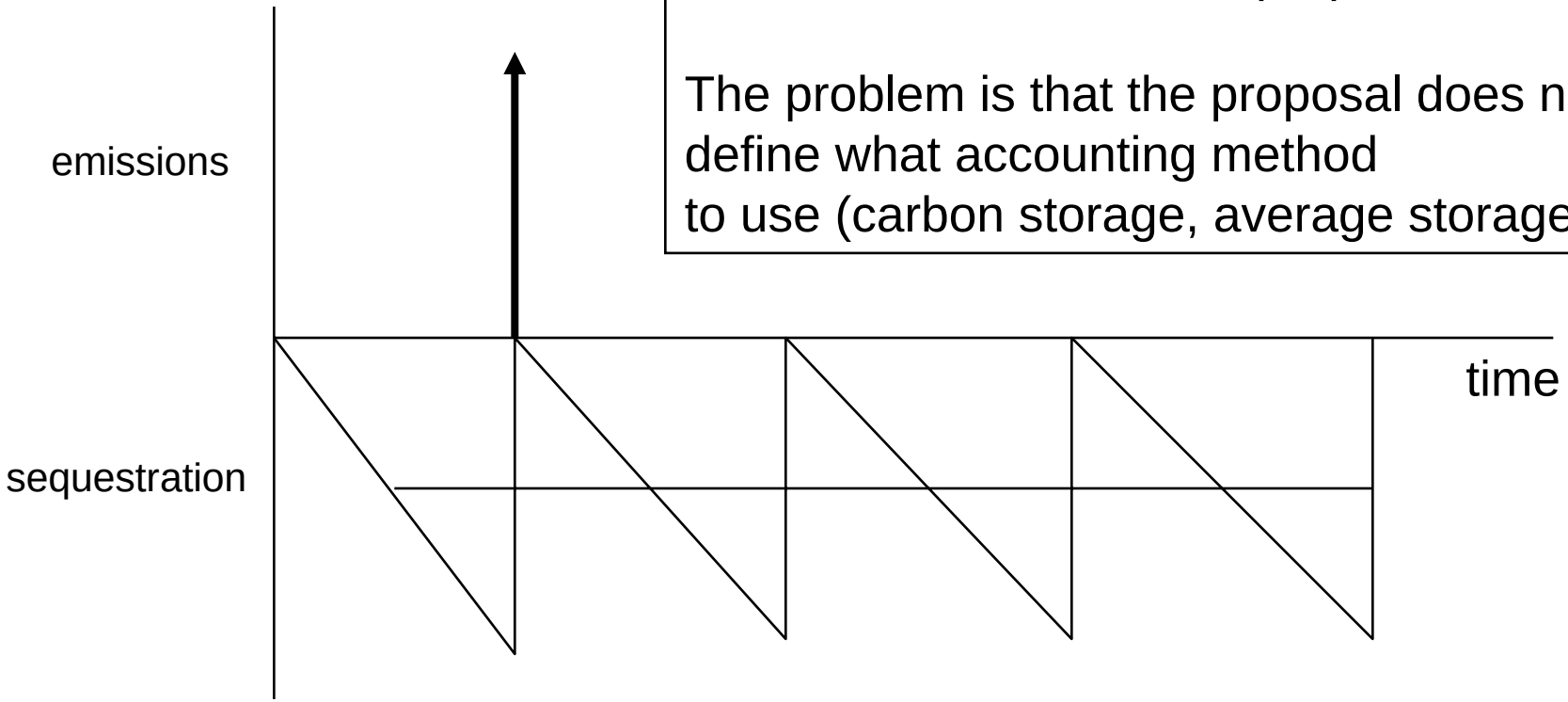
4) Carbon accounting: i-CERs



4) Carbon accounting: i-CERs

Similar to the ‘Colombian proposal’

The problem is that the proposal does not define what accounting method to use (carbon storage, average storage, ?)



4) Carbon accounting: Implications

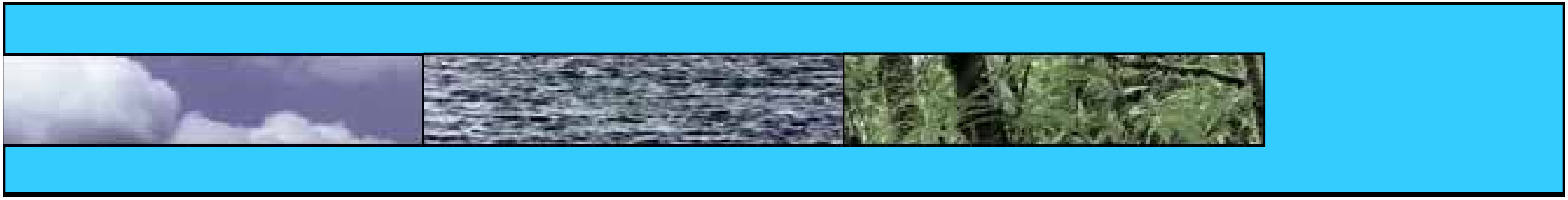
- Complications
- Reduction of value of carbon revenues
- This does not create sufficient incentives for projects to become commercially feasible
- Makes financial additionality impossible
- Consequently, only commercial projects can go forward, with a ‘carbon sweetener’
- Insurance – questions about what, how, and costs

5) Implications

To regulators, the options proposed still do not provide the answer with relation to allocation of credits and ensuring permanence. Further delays are expected.

To sellers, the methods proposed remove the attractiveness of developing projects based on carbon finance.

To buyers, the methods reduce the relative attractiveness of acquiring forestry credits, as compared to Emission Reduction credits



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